

Washington State Auditor's Office
Special Education Program Audit
Audit Services

Report No. 58162

VADER SCHOOL DISTRICT NO. 18

Lewis County, Washington

September 1, 1995 Through August 31, 1996

Issue Date: April 4, 1997

April 4, 1997

I am pleased to report the results of our program audit of Vader School District Special Education Program covering the period September 1, 1995, through August 31, 1996. This report was prepared under the authority granted by Chapter 283, Laws of 1996.

Our audit gives an independent, accurate assessment of the condition of the program during the period we reviewed. I hope it is used as a constructive management tool to help the school districts improve their operations and to help the Legislature and others in policy decisions on special education funding.

Sincerely,

Brian Sonntag, CGFM
State Auditor

Copies transmitted to:

Dennis Charlton, Superintendent
Paul Cozad, Chairman of the Board of Directors
Wanda Smith, Business Manager
Carol Hadley, Special Education Teacher
Educational Service District No. 113
Marcelyn A. Senger, School Business Services-Supervisor of Audit Management and
Resolution, Superintendent of Public Instruction
Safety Net Committee
Jim West, Chair, Senate Ways and Means Committee
Tom Huff, Chair, House Appropriations Committee
Cheryle Broom, Legislative Auditor, Joint Legislative Audit and Review Committee
Edie Harding, Washington State Institute for Public Policy
Laurie Fortier, State Publication Distribution, State Library
The Honorable Christine O. Gregoire, Attorney General, Office of the Attorney General
Office of the State Auditor

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Vader School District No. 18 Special Education Program Audit Report Summary

BACKGROUND

The State Auditor's Office was given responsibility for auditing special education programs by the Legislature. Lawmakers were concerned about special education programs that exhibit unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the State Special Education Safety Net Committee. The Safety Net Committee was created to oversee state and federal special education funds set aside by the Legislature to assist school districts with demonstrated financial or program needs not met through the special education funding formula.

The Vader School District is among approximately 30 school districts to be selected for a program audit this fiscal year. The district was selected based upon its decrease or change in the special education population between 1994-95 and 1995-96 and the application for additional funding through the state safety net in 1995-96.

AUDIT RESULTS

Objective 1:

To determine whether the Vader School District Special Education Program effectively and efficiently provides a Free and Appropriate Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusions:

- In our opinion, the district provides FAPE to special education students. The services are designed to meet the needs of students with disabilities to the same extent as students without disabilities.
- The district has begun to limit its referrals to special education by limiting "childfind" activities to the minimum federal requirement and taking a closer look to assess whether students are "in need of special education" or whether accommodations or modifications can be made in the general education setting.

District Response:

The district stated that the findings and report are accurate and well done. However, the report does not mention that the new funding has already necessitated the transfer of an excellent experienced pre-school education instructor. The report also does not mention the fact that the special education budget is declining approximately \$25,000 per year under the new system. In the next year, the district will have major special education funding problems with the additional 25 percent decline in funding for percentages over 12.7.

The district will have to look seriously at transferring its experienced high salaried special education teacher to basic education and hire a new less experienced teacher for the special education program.

Without the MOESR and High Cost Grant the district received, they would currently have major fiscal problems. The district does not believe the averaging of funding for students works in their district. The district has a high percentage of disabled students transferring in and out of the district.

The district feels it has a legal and ethical obligation to serve all students who qualify and need assistance.

Additional Remarks From The Auditor:

The district responded to the report overall, and not to each individual objective. We only included the district response in Objective 1. We refer to this response following each conclusion.

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Objective 2:

To evaluate the Vader School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

- The district generally has adequate policies and procedures; however, they were counting students whose Individual Education Programs (IEPs) were in process but not completed. We recommend implementing procedures that ensure compliance with special education requirements for eligibility.

District Response:

See district response under Objective 1.

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Objective 3:

To verify that the Vader School District Special Education Program IEPs are appropriate and properly prepared.

Conclusion:

- Except for the enrollment counting issues discussed in objective 2, the IEPs appear appropriate and properly prepared.

District Response:

See district response under Objective 1.

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Objective 4:

To determine why the Vader School District Special Education Program exhibits high rates of growth, extraordinary high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

- The district's special education enrollment decreased from 30.35 percent in 1994-95 to 28.22 percent in 1995-96. This enrollment is still significantly above the 12.7 percent index established by the new funding formula. Due to limitations contained in the formula, the district's special education program was funded at a reduced percentage of 25.94. This effectively reduced the average excess cost allocation available for eligible special education students.
- The district brought two characteristics that may affect their special education population to our attention: (1) foster home placements and (2) student transfers in and out of the district.
- The district special education program did not change significantly between the two years. The district did not formally allocate any of the basic education allocation

related to its special education population to the special education program. The district stated that basic education revenues were available to special education students and programs as necessary.

- The district's special education teacher has begun teaching basic education classes. However, all of the special education teacher's time continues to be allocated to the special education program. According to the district, the teacher was given basic education responsibilities because the decreasing state special education revenue was not sufficient to cover her salary and existing program expenditures.
- The district received safety net funding for a high cost student. The application requesting safety net funding indicated that the student would attend Castle Rock for most of the 1995-96 school year. However, the student only attended slightly more than half the school year due to illness. Except for this difference in the length of services provided, safety net expenditures under the award appeared appropriate.

District Response:

See district response under Objective 1.

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Objective 5:

To identify elements of the Vader School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

- We did not identify specific elements of the district program that could be considered for use at other districts, however, the district is committed to meeting the individual needs of its students.

District Response:

See district response under Objective 1.

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The basis for our conclusions and the district's full response is included in the Report Detail section.

Vader School District No. 18

Special Education Program Audit

Report Detail

INTRODUCTION

This report contains the results of a program audit we performed on the Vader School District Special Education Program. Our audit covered the 1995-96 school year. The field work was completed on January 15, 1997.

BACKGROUND

In 1995, the Legislature revised the state special education funding formula (Chapter 18, 2nd Special Session, Laws of 1995). The formula incorporates three significant changes: (1) the move to an “excess cost” funding model that includes only the costs of a child’s special education above basic education funding, (2) establishment of a maximum index of eligible special education enrollment per district and (3) a single allocation of funds per student without regard to a student’s disability.

The Legislature set aside nearly \$40 million in state and federal funds to assist school districts with demonstrated financial or program needs not met through the funding formula. This “safety net” was required due to a 1987 court decision in the case, *Washington State Special Education Coalition v. State of Washington*. The court requires the state to provide a safety net when special education funding is based upon statewide averages. A State Special Education Safety Net Committee was created to review applications for safety net funds. The State Auditor’s Office was given responsibility for auditing special education programs exhibiting unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the Safety Net Committee.

This audit was conducted in accordance with the legislation that assigned the State Auditor’s Office responsibility for auditing special education programs. The Vader School District is among approximately 30 districts to be selected for a program audit this fiscal year. The district’s program was selected based on two factors. First, the overall decrease or change in the special education population between 1994-95 and 1995-96. The second factor was the applications submitted to the Safety Net Committee.

AUDIT SCOPE

We examined student Individual Education Programs (IEPs) and other district records concerning the assessment and evaluation of students. We reviewed the special education program for efficiency and effectiveness. We also looked at records and data to determine the accuracy of statements made to the Safety Net Committee.

The methods used to perform this audit included detailed reviews of district records, staff interviews, observation of the program and analysis of data derived from the district and other sources when appropriate. Specific methods used for the examination of each audit objective are detailed in the working papers.

SCHOOL DISTRICT DESCRIPTION

The Vader School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) to provide public school services to students in grades K-6. Five elected board members have oversight responsibility for the district. The board appoints district management and has fiscal responsibility for the district.

District officials who were key contacts during this audit include:

- Mr. Dennis Charlton, Superintendent
- Mrs. Wanda Smith, Business Manager
- Mrs. Carol Hadley, Special Education Teacher

Other information related to the district was provided by:

- Mr. Chuck Ten Pas, Director, Lewis County Special Education Cooperative
- Mrs. Lynn Cole, Secretary, Lewis County Special Education Cooperative

Vader School District is located in Lewis County and consists of one school that serves grades K-6. The 1995-96 district enrollment was 106 students, of which 30 were special education students. The special education enrollment decreased to approximately 28.22 percent of total enrollment from the 1994-95 percentage of 30.35.

The Vader School District Special Education Program is one of 12 schools participating in the Lewis County Special Education Cooperative. The cooperative provides initial assessments, forms, related services and training to the district.

AUDIT RESULTS

Objective 1:

To determine whether the Vader School District Special Education Program effectively and efficiently provides a Free and Appropriate Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusion:

WAC 392-172-035 defines FAPE as special education and related services that are provided at public expense, meet the standards of the state education agency, include preschool, elementary school or secondary school education and conform with individualized education program requirements. The Vader School District provided FAPE to its 1995-96 special education students.

The district has a referral and evaluation process for students with needs that may not be met in the general education classroom. In the 1995-96 school year, the special education enrollment in the district was significantly above the 12.7 percent index established by the new funding formula. Districts have been accorded a four-year window to decrease, if necessary, their special education enrollment. The district may lose funding for students served over the 12.7 percent index. Therefore, the district has begun to limit its referrals to special education in the following ways:

- The district “childfind” activities are conducted through the Lewis County Special Education Cooperative. The cooperative is limiting yearly childfind activities to the minimum federal requirement. The purpose of childfind is to locate, evaluate and identify students with a suspected disability who are within district boundaries and are not currently receiving special education and related services.
- The district is taking a closer look at students to assess whether they are “in need of special education” or whether accommodations or modifications can be made in the general education setting.

Most special education students receive services within the district’s special education resource room. Special education students are in the general classroom setting to the maximum extent possible. The district may serve students with more involved needs through contractual agreements with other districts.

District Response:

First of all I would like to say that our team and myself appreciated the professionalism and attitude of audit team members completing the review of our students, program and files.

The findings and report are accurate and well done. Judith Lilly did an excellent job on this audit.

However, I would like to state that the report does not mention that the new funding has already necessitated the transfer of an excellent experienced pre-school education instructor. The report also does not mention the fact that our special education budget is declining approximately \$25,000 per year under the new system. Next year we will have major special education funding problems with the additional 25% decline in funding for percentages over 12.7.

In the near future we will have to look seriously at transferring our experienced high salaried special education teacher to basic education and hire a new less experienced teacher for the special education program.

Without the MOESR and High Cost Grant our district received, we would currently have major fiscal problems. The averaging of funding for students does not work in our district. We have a high percentage of disabled youngsters transferring in and out of our district.

We feel we have a legal and ethical obligation to serve all students who qualify and need assistance.

Additional Remarks From The Auditor:

The district responded to the report overall, and not to each individual objective. We only included the district response in Objective 1. We refer to this response following each conclusion.

Objective 2:

To evaluate the Vader School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

Internal controls are established to direct the special education referral process and ensure continuing compliance with special education requirements. We conducted interviews with the special education and cooperative administrative team, certificated staff and the school psychologist to document and assess the staff's understanding and compliance with the process. The interviews and our student file review established that an internal control process is in place, appropriate personnel are assigned to oversee the process and special education staff know and attempt to follow the process.

We identified one area that should be strengthened. It involved the monthly report of the special education enrollment for the district (P-223H Form). Our review indicated that nearly 14 percent of the district IEPs examined were not updated by the required date. The eligibility criteria for counting a student states that a student's evaluation and IEP must be current on the count date. To comply with requirements, the district should count only students with current IEPs or three year evaluations.

District Response:

See district response under Objective 1.

Objective 3:

To verify that the Vader School District Special Education Program IEPs are appropriate and properly prepared.

Conclusion:

We reviewed 29 special education files to determine if they complied with federal and state procedural requirements and directives. Except for the enrollment counting issues discussed in objective 2, the IEPs appear appropriate and properly prepared.

District Response:

See district response under Objective 1.

Objective 4:

To determine why the Vader School District Special Education Program exhibits high rates of growth, extraordinarily high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

Vader School District's special education enrollment decreased from 30.35 percent in 1994-95 to 28.22 percent of total enrollment in 1995-96. The district's special education enrollment is still significantly above the 12.7 percent index established by the new formula. The funding formula allows a grace period for districts to reduce their special education enrollment percentage. During the first year of the grace period, districts were funded up to 75 percent of their 1994-95 enrollment percentage or the actual 1995-96 percentage, whichever was less. Vader's 1995-96 special education percentage exceeded the 75 percent limitation. Therefore, the district's special education program was funded at a reduced percentage of 25.94. This effectively reduced the average excess cost allocation available for eligible special education students.

During our audit, the district brought two characteristics that may affect their special education population to our attention:

- The district served one foster home student in 1995-96, and two in 1996-97, under interdistrict agreements with the Centralia/Chehalis Special Education Cooperative.

These students' special education needs were more involved than the district's program could support.

- The district experiences significant turnover of students. Our review of student files supported the district's position. Many of these students transfer into the district with existing and appropriate IEPs.

District management is concerned with these factors because they cannot control foster home placements or transfers in and out of the district. Since the district enrollment is 106 students, any changes in the special education population can result in significant changes to the district's special education percentage.

We also considered whether the district has unusually high costs or other characteristics requiring the attention of the Safety Net Committee. We reviewed program staff and budgets before and after the funding formula change. The district special education program did not change significantly between the two years. The district applied for and received Maintenance of Effort State Revenue (MOESR) safety net funds. Most of the special education expenditures were for salary and benefits for the special education teacher and a part time educational assistant.

The district did not formally allocate any of the basic education allocation related to its special education population to the special education program. The district stated that basic education revenues were available to special education students and programs as necessary.

Before 1995-96, the special education formula automatically allocated part of the basic education revenue to the special education program. This allocation was based on an assumed amount of time that students spent in special education programs. The formula also assumed that the greater the amount of time spent in special education classes, the more basic education delivered in the special education program.

The new formula allows districts to allocate the basic education dollars associated with special education students. Presumably, the district can better allocate basic education revenue based on the actual service delivery patterns. The allocation could result in more or less basic education revenue available to the special education program. However, all of the basic education revenue is at the school district to serve those students.

We noted an issue affecting special education expenditures in the 1996-97 school year. The district's special education teacher has begun teaching basic education classes. However, all of the special education teacher's time continues to be allocated to the special education program. According to the district, the teacher was given basic education responsibilities because the decreasing state special education revenue was not sufficient to cover her salary and existing program expenditures.

The state basic education funding formula no longer includes the special education staff in the district's staff mix calculation. The staff mix calculation is intended to adjust a district's state funding for the education and experience of its staff. District management believes this

omission in the basic education funding formula may eventually force the district to replace their experienced special education teacher with a less experienced, less costly staff member.

Besides the MOESR award, the district received safety net funding for a high cost student. The district has an interdistrict agreement with the Castle Rock School District for this high cost multi-handicapped student. The application requesting safety net funding indicated that the student would attend Castle Rock for most of the 1995-96 school year. However, the student only attended slightly more than half the school year due to illness. Except for this difference in the length of services provided, safety net expenditures under the award appeared appropriate.

District Response:

See district response under Objective 1.

Objective 5:

To identify elements of the Vader School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

We did not identify specific elements of the district program that could be considered for use at other districts, however, the district is committed to meeting the individual needs of its students. It is evident from the staff interviews that cooperation exists between the general and special education staffs.

District Response:

See district response under Objective 1.

ADDITIONAL INFORMATION

It is important to note that this audit does not replace, or otherwise duplicate, the regularly scheduled audit of the district that includes a review of financial statements and compliance with laws and regulations. Accordingly, we do not express any opinion related to those items in this report. We did consult with the financial auditors and brought items to their attention when warranted.

The audit of the Vader School District Special Education Program was performed in accordance with generally accepted government auditing standards. As such, it included such tests of records and other audit procedures we considered necessary, including a review of management controls where appropriate.

This report is a public document. To obtain additional copies of this report, or for questions related to the audit, address inquiries to the State Auditor's Office, P.O. Box 40021, Olympia, WA 98504-0021 or call (360) 753-4792.

Vader School District No. 401 Special Education Program Audit Addendum

Directory Of Officials

Elected

		<u>Expiration</u>
Board of Directors:		
Position 1	Paul A. Cozad	November 1997
Position 2	Donna Sterling	November 1997
Position 3	Don Laudenbach	November 1997
Position 4	James Klinck	November 1997
Position 5	Dave Candoll	November 1997

Appointed

Superintendent	Dennis Charlton
Business Manager	Wanda Smith

Mailing Address

District	PO Box 190 Vader WA 98593
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